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**South Carolina
Division of General Services**

PROCUREMENT AUDIT AND CERTIFICATION

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SPARTANBURG TECHNICAL COLLEGE
AGENCY

OCTOBER 21, 1986
DATE

**SPARTANBURG TECHNICAL COLLEGE
AUDIT REPORT**

MAY 6, 1986

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
300 GERVAS STREET
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-2150

RICHARD W. RILEY, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE F. MORRIS, JR.
COMPTROLLER GENERAL



WILLIAM J. CLEMENT
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SENATE FINANCE COMMITTEE

TOM G. MANGUM
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

November 5, 1986

Mr. Richard W. Kelly
Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

Dear Rick:

Attached is the final Spartanburg Technical College audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the College two years certification as outlined in the audit report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill", written over the printed name.

William J. Clement
Assistant Division Director

Attachment

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

May 6, 1986

Mr. Richard W. Kelly
Assistant Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

We have examined the local fund procurement policies and procedures of the Spartanburg Technical College for the period April 1, 1985 - February 28, 1986. As a part of our examination we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and College procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Spartanburg Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are

required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Spartanburg Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

R. Voight Shealy, Manager
Office of Audit and Certification

R. Voight Shealy

INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the Spartanburg Technical College.

Our on-site review was conducted March 11, 1986 through March 21, 1986, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it is consistent with the provision of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

While on site, we received a written request from the Spartanburg Technical College for certification to make procurements in the following categories and designated amounts:

<u>Area</u>	<u>Amount</u>
Goods and Services (local funds only)	\$10,000.00
Information Technology	10,000.00
Construction	10,000.00

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of Spartanburg Technical College and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions. The examination was limited to procurements from local funds, which includes some federal funds, local contributions and student collections.

The Audit and Certification team selected random samples for the period July 1, 1985 - February 28, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidence of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) disposition of surplus property;

- (10) economy and efficiency of the procurement process;
and
- (11) approval of Minority Business Enterprise
Utilization Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of Spartanburg Technical College produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - General</u>	
Five procurements were not made in accordance with the Consolidated Procurement Code and regulations.	8
II. <u>Compliance - Sole Source and Emergency</u>	
Five procurements were handled improperly as sole sources. Two emergency procurements resulted from poor planning. They should not have been handled in this manner.	10

RESULTS OF EXAMINATION

I. Compliance - General

The following procurements were not made in accordance with the Consolidated Procurement Code and regulations:

	<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
1.	7624	\$ 521.25	Software
2.	7804	9,777.00	Commercial insurance
3.	7435	1,345.00	Energy modifications
4.	7444	644.32	Energy modifications
5.	7921	2,493.00	Painting services

Item one was not supported by evidence of competition. Section 19-445.2100, Subsection B, requires solicitation of verbal or written quotes from a minimum of two qualified sources of supply.

Item two was not supported by evidence of competition. Section 19-445.2035 requires solicitation of a minimum of five sealed bids for purchases from \$5,0000.00 to \$9,999.99. Additionally, this purchase exceeded the College's procurement certification limit of \$2,500.00 by a substantial amount. Consequently, it is an unauthorized procurement that requires ratification from the Materials Management Officer, in accordance with Section 19-445.2015.

Items three, four, and five are unauthorized procurements, as defined in Section 19-445.2015 of the Procurement Code regulations. In all three cases, services were rendered before purchase orders authorizing the commitments were prepared. This was particularly evident for items three and four because the invoices for services rendered were dated May 29, 1985 but

purchase orders were not prepared until July 31, 1985, two months later. These procurements must be formally ratified by the College President in accordance with the regulation referenced above.

AGENCY RESPONSE

<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
7624	\$ 521.25	Software

Industry and Business Training (formerly Continuing Education) contracted with an industry customer to provide computer training utilizing the Microsoft C Compiler. Training was to begin immediately. Procurement was arranged with a local vendor at a very reasonable price, less than \$500.00. When the software was delivered, sales tax caused the price to exceed the \$500.00 limit.

7804	9,777.00	Auto Insurance
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During a six month period prior to July 1985, several of the senior managers at the college were replaced due to retirement and resignations. Two of these positions included the V.P. for Business Affairs and the Accounting Manager. Consequently, some corporate memory was lost. Expiration date of our fleet auto insurance policy was one of the forgotten requirements. Slightly over a month after our policy was lapsed, it was brought to my attention that we did not have coverage. Grier and Company had provided the college with auto insurance for the past several years. They were immediately contacted to extend the policy to provide immediate coverage. One year extension was the only extension offered. Concurrently we requested information from the Insurance Reserve Fund on auto insurance. In December we still had not received the information. The Procurement Officer contacted Materials Management Officer. It was suggested by MMO that to cancel the existing policy could be more expensive than just retaining until expiration. Five months prior to expiration, the college requested replacement insurance through the Reserve Fund. This policy was issued on the expiration day of existing coverage.

7435	1,345.50	Energy Modification to HVAC
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Several Modifications to our heating and cooling were started in late 1984 and 1985. Several bids were received on this particular modification. We were unable to determine if the original purchase request was accomplished and then lost or never accomplished. It was not until we received the invoice May 29, 1985 that the present documents were initiated. Payment was made July 8, 1985.

7444

644.32

Emergency repair

This was a bona fide emergency approved by the President and ratified by subsequent document. Classes would have been curtailed if an immediate fix had not been accomplished. Emergency Procurement Request signed by the President is on file.

7921

2,493.00

Painting Services

Scheduling class rooms for painting is a tedious task since we are not always sure when the rooms will be available. Quotes for painting were obtained in August, with work to be accomplished in the fall. Work was accomplished as scheduled, the purchase request was completed prior to work; but for some reason the P. O. was not completed until the invoice was received.

II. Compliance - Sole Source and Emergency

1. Sole Source Procurements

A review of the College's sole source procurement revealed the following exceptions that do not qualify as sole sources:

	<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
1.	7260	\$ 741.52	Lock keying services
2.	7357	2,436.00	Printing of brochures
3.	7911	2,966.00	Install computer cables
4.	8302	1,598.65	Shrubs for landscaping
5.	8205	1,622.25	Photography enlarger

Section 19-445.2105 of the regulations indicates, "Sole source procurement is not permissible unless there is only a single source of supply." Further, this section states, "In cases of reasonable doubt, competition should be solicited."

The college should adopt the definition of sole source procurements that is used by the Materials Management Office which requires that the procurements be for unique items available only from a single source. This definition is used

consistently among governmental bodies covered by the Procurement Code.

AGENCY RESPONSE

It is difficult to defend our judgement that the five items listed were best procured as sole source items since the report explicitly states that they do not qualify as sole source. However, we would like to provide some rationale for our sole source actions.

1. P.O. 7260 - In the interest of security, it is best that only one keying company has access to our master keys. If each keying operation was procured by open bid, master keys could be found at any vendor successful in obtaining a bid selection. We monitor costs closely to insure that they are reasonable and fair. This procurement was ratified by the President.

2. P.O. 7357 - In the college environment, recruitment of students is of vital interest. It was determined that "flyers" were needed as inserts in the local newspaper. A very tight deadline was upon us. By using reprints of another recent flyer, setup costs and negative costs could be greatly reduced. Since no other printer had the necessary negative, this became a unique item available from only one source.

3. P.O. 7911 - This should more appropriately have been listed as an emergency procurement. Normal registration period creates a great requirement for personnel in a very narrow time frame. As a consequence, past registrations have created overtime requirements. Court decisions relative to Fair Labor Standards Act and State directions that no overtime would accrue, left us in a tenuous position that required resolution. We have only recently been afforded the opportunity to conduct registration on-line through our computer system. To take advantage of this computer capability and reduce overtime, it was necessary to provide a wire network utilizing some existing phone lines. Two local agencies were aware of existing wiring and could accomplish the job. AT&T charges \$65.00 per hour and the time frame is left to chance. John Communications charges \$35.00 per hour and were immediately available.

4. P.O. 8302 - We contacted surrounding nurseries for specific plants needed to landscape around the recently renovated Ledbetter Building. The Plant Superintendent visited the nurseries to insure that the plants were proper and healthy. This was the only nursery that could provide proper caliber of plants within the time frame required.

5. P.O. 8205 - This was the only local studio with the necessary equipment to provide oversized color enlargements with proper quality of final product.

2. Emergency Procurements

The following emergency procurement situations occurred due to poor planning.

	<u>P.O. Number</u>	<u>Amount</u>	<u>Description</u>
1)	8304	\$2,766.65	Carpet
2)	8088	567.11	Cork Board and Podium

Item one was procured as part of an on-going construction project. The justification indicated that the room would not have been ready if procurement had followed bid procedures. This procurement could have been scheduled in advance to allow time for normal processing. As stated in report point I above, carpet is a State contract item, so bid procedures were not required.

Item two was needed for specialized training. Since the procurement is between \$500.01 and \$1,499.99, the regulations only require two telephone quotations. With this in mind, declaring the procurement an emergency was inappropriate.

AGENCY RESPONSE

Faced with the Audit judgement that the two emergency procurements "occurred due to poor planning", please accept a few comments as to the rationale for such actions.

1. P.O. 8304 - In the original plans for the Ledbetter Building, the room in question was not to be finished and would remain as a store room. Just prior to fall semester, Milliken Corporation approached us with a request to provide rooms for special training for their employees. Immediate action was taken to complete this room for their training. We contacted the State Contractor to obtain carpet. We requested that he come to the job site with samples. Although he indicated that he would come to the site, he did not. With time running out, we contacted a more reliable contractor.

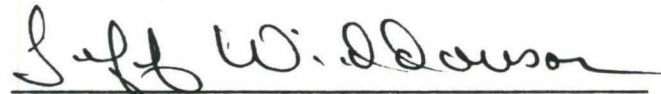
2. P.O. 8088 - Part of the same training program listed above in item #1, although used in another area. Board was not readily available in the local area from any vendor. This vendor could provide a "replacement" until ordered board arrived. We used the replacement and ordered the new board. Classes were able to meet on time.

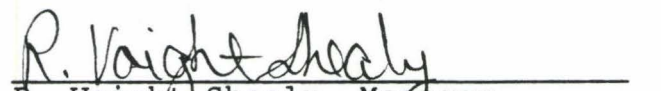
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place Spartanburg Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend Spartanburg Technical College be certified to make direct agency procurements up to the limits as follows when using local funds:

<u>PROCUREMENT AREAS</u>	<u>RECOMMENDED CERTIFICATION LIMITS</u>
Goods and Services exclusive of printing equipment which must be approved by the Division of Information Resources Management (Local Funds Only)	\$5,000 per purchase commitment
Information Technology (Local Funds Only)	5,000 per purchase commitment
Construction (Not Recommended At This Time)	


Jeff Widdowson, P.P.B.
Office of Audit and Certification


R. Voight Shealy, Manager
Office of Audit and Certification

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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

October 21, 1986

Mr. William J. Clement
Assistant Division Director
300 Gervais Street
Columbia, South Carolina 29201

Dear Bill:

We have returned to Spartanburg Technical College to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through February 28, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the college has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

We, therefore, recommend that the certification limits as outlined in the audit report, be granted for a period of two (2) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

